

Message Text

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C O N F I D E N T I A L TOKYO 7365

EXDIS

E.O. 11652: GDS

TAGS: ENRG PFOR JA UR

SUBJ: GOJ-BUSINESS DISCUSSIONS ON SIBERIAN DEVELOPMENT

SUMMARY: EMBASSY HAS OBTAINED ON CONFIDENTIAL BASIS SUMMARY OF MINUTES OF POLICY DISCUSSION WHICH TOOK PLACE MAY 27 BETWEEN TOP LEVEL PRIVATE OFFICIALS OF JAPANESE COMMITTEE OF JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE AND SENIOR GOJ OFFICIALS. EXCERPTS OF DOCUMENT QUOTED BELOW HIGHLIGHT JAPANESE UNDERSTANDING OF MEETINGS FOREIGN MINISTER OHIRA HAD IN U.S. ON SUBJECT OF SIBERIAN DEVELOPMENT, AND PROVIDE EXCELLENT SUMMARY OF CURRENT GOJ POSITIONS BASED ON THESE MEETINGS. END SUMMARY.

1. BEGIN EXCERPTS.

FOREIGN MINISTRY--JAPAN'S WAY OF HANDLING SIBERIAN DEVELOPMENT PROJECTS WAS EXPLAINED TO PRESIDENT NIXON AND ADJUTANT SECRETARY RUSH, AND JAPAN EXPRESSED THE HOPE THAT IT WOULD HAVE U.S. PARTICIPATION IN THE PROJECTS. THE U.S. FULLY UNDERSTOOD JAPAN'S POSITION AND PROMISED TO STUDY THE MATTER AND TO ENCOURAGE PRIVATE BUSINESS INTERESTS TO TAKE PART.

2. TYUMEN PROJECT.

BUSINESS SPOKESMAN--THE INTRODUCTION OF THE RAILWAY CONCEPT
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IS SUCH A MAJOR SHIFT THAT THE PROJECT COULD BE CONSIDERED

AS AN ENTIRELY NEW ONE. THE SOVIETS HAVE PROPOSED TO US THAT DISCUSSIONS BE HELD ON THIS SUBJECT. THE GOVERNMENT SHOULD IMMEDIATELY WORK OUT A GENERAL POLICY WITHIN WHICH THE PRIVATE SECTOR COULD DEAL WITH THE SOVIET PROPOSAL.

FOREIGN MINISTRY--THE GOVERNMENT AGENCIES HAVE STUDIED THE PROPOSITION, INCLUDING THE RAILWAY, AND NOW TAKE A NEGATIVE VIEW.

BUSINESS SPOKESMAN--WHAT WOULD BE THE GOVERNMENT VIEW IF THE TYUMEN PROJECT WERE TO BE CONSIDERED AS ORIGINALLY PROPOSED (I.E. UTILIZING PIPELINE RATHER THAN RAIL TRANSPORT)?

FINANCE MINISTRY--EVEN EXCLUDING THE RAILWAY, A HUGE AMOUNT OF MONEY IS INVOLVED AND IT WOULD BE HARD TO MAKE A DEFINITE DECISION BECAUSE OF THE PRESENT BALANCE OF PAYMENTS SITUATION.

FOREIGN MINISTRY--IF THE SOVIETS WERE TO MAKE SUCH A PROPOSAL (I.E. RETURN TO PIPELINE CONCEPT), IT SHOULD BE ANSWERED ON A PRIVATE BASIS. AT THIS TIME IT WOULD NOT BE ADVISABLE TO DEAL WITH THE MATTER ON A GOVERNMENT-TO-GOVERNMENT BASIS, SINCE WE DO NOT WANT TO FORCE A (GOU) DECISION THAT WOULD COMPLETELY HALT CONSIDERATION OF THE PROJECT.

FOREIGN MINISTRY--U.S. PARTICIPATION IS AN ESSENTIAL CONDITION AND WE KNOW FROM THE YASUKAWA-KISSINGER MEETING THAT THE U.S. WILL NEVER TAKE PART IN THE PROJECT IF IT INCLUDES RAILWAY TRANSPORTATION.

MITI--WE SHOULD STUDY THE PROJECT VERY CAUTIOUSLY.

FOREIGN MINISTRY--MILITARY CONSIDERATIONS ARE NOT THE IMMEDIATE REASON FOR NOT PARTICIPATING IN THE TYUMEN PROJECT. IF JAPAN TOOK PART, THE SOVIETS WOULD HAVE THE DOMINANT VOICE IN THE PROJECT. WE SHOULD NOT GET INVOLVED IN VIEW OF JAPAN'S CURRENT RELATIONS WITH CHINA AND THE UNITED STATES AND JAPAN'S SOVIET DIPLOMACY.

3. SAKHALIN PROJECT.

FOREIGN MINISTRY--IT WOULD BE VERY DESIRABLE TO HAVE U.S. PARTICIPATION.

MITI--U.S. PARTICIPATION IS A NECESSITY WHEN WE CONSIDER CONFIDENTIAL

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TECHNOLOGICAL ASPECTS OF THE PROJECT THAT REQUIRE DRILLING OPERATION IN MIDST OF DRIFTING ICE. THE US COMPANY INSISTS ON A HIGHER RATE OF RETURN ON RISK CAPITAL, BUT WANTS TO WORK TOGETHER IN TERMS OF TECHNOLOGY.

BUSINESS SPOKESMAN--CAN THIS TECHNOLOGICAL PARTICIPATION OF THE U.S. COMPANY BE CONSIDERED U.S. PARTICIPATION?

FOREIGN MINISTRY--OUR UNDERSTANDING IS THAT THE U.S.

COMPANY IS CONSIDERING THE MATTER IN THE FORM OF SHARING COSTS (EMB. COMMENT: I.E. RISK BASIS). WE WOULD LIKE TO DISCUSS THE MATTER ONCE AGAIN ON THIS BASIS.

4. COAL PROJECT.

BUSINESS SPOKESMAN--A NEW COMPANY WAS ESTABLISHED AND THE FORMAL SIGNING OF THE PROJECT IS SCHEDULED FOR JUNE 3 (SEE SEPTTEL).

5. PAPER PULP.

BUSINESS SPOKESMAN--WE WANT TO SELECT THE COORDINATING COMPANIES AND STUDY FUTURE STRATEGY.

6. LUMBER.

BUSINESS SPOKESMAN--THE PROJECT IS DEADLOCKED OVER PRICE. WE HOPE TO FINALIZE IT AS SOON AS POSSIBLE. END EXCERPTS.

7. COMMENT: YAKUTSK GAS PROJECT NOT MENTIONED IN MINUTES OF MEETING, BUT WE UNDERSTAND IT WAS COVERED IN FACTUAL BBRIEFING BY TOKYO GAS CHAIRMAN WHICH PRECEDED ABOVE SUMMARIZED POLICY SESSION.
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